

Message Text

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63

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 DRC-01 /158 W

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R 282200Z MAY 74

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 4242

INFO AMEMBASSY GUATEMALA

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GUATEMALA FOR ROCAP

E. O. 11652: N/A

TAGS: EAID, EFIN, NU

SUBJECT: HOUSING BANK BORROWS \$25 MILLION

1. ACCORDING TO LA PRNESA MAY 25, INVI, THE NATIONAL HOUSING BANK, CONTRACTED A \$25 MILLION LOAN FROM THE MERBAN CORPORATION MAY 22. TERMS REPORTEDLY ARE 20 YEARS WITH INTEREST SET AT 2 PERCENT ABOVE THE NEW YORK PRIME RATE ADJUSTED ANNUALLY. LA PRENSA STATED THAT INVI WOULD PAY CORDOBAS 2 MILLION (U.S. \$285,714) IN COMMISSIONS FOR THE LOAN.

2. HOUSING BANK PRESIDENT FAUSTO ZELAYA CONFIRMED THE LOAN TO AN AID OFFICER MAY 28. ACCORDING TO ZELAYA THE \$25 MILLION IS FOR GENERAL OPERATIONS OF THE BANK AND WILL BE USED TO FINANCE UPPER-MIDDLE CLASS HOUSING PROJECTS NOT ELIGIBLE FOR AID OR OTHER LOWER INTEREST LOANS. THE LOAN IS FOR 20 YEARS WITH A FIVE YEAR GRACE PERIOD AT AN INTEREST RATE OF 2 PERCENT ABOVE THE NEW YORK PRIME RATE ADJUSTED ANNUALLY PLUS ONE-FOURTH PERCENT COMMISSION (THAT WOULD BE LIMITED OFFICIAL USE

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U.S. \$625,000). ZELAYA SAID THE MERBAN CORPORATION IS A NEW

YROK FIRM WITH WHOM THE GON HAS DEALT PREVIOUSLY.

3. ZELAYA INDICATED THAT THE LOAN WOULD FINANCE HOUSES COSTING C\$100,000 (U.S. \$14,000) AND UP; A MARKET NOT SERVED AT PRESENT BY INTERNATIONAL LOANS. HE SAID THE BANK HAS ALREADY RECEIVED OVER U.S. \$18.5 MILLION IN APPLICATIONS FOR THIS TYPE LOAN. BASED ON A PRIME RATE FOR THIS YEAR OF 10 AND SEVEN-EIGHTS PERCENT, ZELAYA ESTIMATED THE COST TO THE BORROWER AT BETWEEN 13 AND 14 PERCENT WHICH WOULD LEAVE LESS THAN A 2 PERCENT SPREAD FOR THE BANK. HE VIEWED THIS LOAN AS CRITICAL TO THE NEEDS OF UPPER-MIDDLE INCOME FAMILIES WHO WERE ALSO SEVERELY AFFECTED BY THE QUAKE.

4. A RELIABLE SOURCE IN THE LOCAL CONSTRUCTION INDUSTRY TOLD AN EMBOFF MAY 28 THAT HE UNDERSTANDS A PORTION OF THE LOAN - \$10 TO 15 MILLION - WILL BE USED BY INVI TO COVER THE RECONSTRUCTION AND RE-ENFORCEMENT OF MIDDLE-CLASS INVI HOUSING WHICH WAS BADLY DAMAGED BY THE QUAKE AND WHOSE INSURANCE WILL NOT PAY FOR RECONSTRUCTION TO POST-QUAKE BUILDING STANDARDS. THE IMPROVED STRUCTURES WILL BE REFINANCED WITH THE DIFFERENCE BETWEEN THE INSURANCE COVERAGE AND THE STRICTER STANDARDS ADDED TO MORTGAGES.
WARNER

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